

**Internal Revenue Service
Director, Exempt Organizations
Rulings and Agreements**

**Department of the Treasury
P.O. Box 2508 - Room XXXX
Cincinnati, Ohio 45201**

Number: 200907041
Release Date: 2/13/2009

Date: November 20, 2008

Employer Identification Number:

**Person to Contact - ID#:
Contact Telephone Numbers:
Phone
Fax**

UIL 4945.04-04

LEGEND

B= Name of Foundation
C= Name of Grant program
D= National test program
E= Governmental organization
x= grant amount
y= grant amount

Dear :

We have considered your request for advance approval of your grant-making programs under section 4945 (g)(1) of the Internal Revenue Code, dated, June 3, 2008.

Our records indicate that the B was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

The name of the scholarship program is the C. The goal of the B is to provide scholarships to high school students who achieve the highest scores on a national, standardized test called the D. This test is conducted by the E. It is made available to all students in the United States. In the initial year of implementation, one scholarship will be made available in the amount of x for one student in each of ten regions of the United States. In subsequent years, up to 100 scholarships will be available to students in the amount of y to each student in the United States who achieves a perfect score on the test administered by the E.

The procedure for selection of recipients is as follows: E administers the D. After the test is computer-graded, the E sends the Foundation the code numbers (without names) of the students who received a perfect score on the test. An individual in the E will provide this information to the Foundation. In case of a tie among students, the scholarship recipients are selected by a blind drawing, using only student code numbers and not names. The E notifies the schools attended by the winning students and tells the schools that the students may contact the Foundation regarding scholarship awards. The Foundation learns the identity of a student winner only after the E has contacted the schools.

Scholarship recipients must provide proof of enrollment in a post-secondary accredited educational institution. If a recipient is in 11th grade, the scholarship will be held and paid when the student enrolls in college.

The B will obtain proof that the recipient is enrolled and in good standing in a post-secondary educational institution and the Foundation will pay the scholarship directly to the educational institution for application to the student's account. If the recipient does not attend the institution, the Foundation will require that the scholarship be returned.

Relatives of members of the selection committee or officers, directors or substantial contributors are not eligible for awards under the program.

The organization will maintain all records relating to individual grants including information obtained to evaluate grantees (test results), identity of grantees, the amount and purpose of each grant and all reports from schools and scholarship recipients obtained in administering the program.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and

- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your scholarship program will be conducted as proposed with objectivity and nondiscrimination in awarding grants, we determined that your procedures in awarding scholarship grants comply with the requirements of section 4945(g)(1) of the Code and that scholarships granted according to these procedures will not be "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your grant-making procedures is a one-time approval of your system standards and procedures that will result in grants which meet the requirements of section 4945(g)(1) of the Code. **This determination only covers the grant programs described above.** Thus, approval shall apply to succeeding grant programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all grant distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi
Director of Exempt Organizations
Rulings and Agreements